

VZCZCXYZ0676
PP RUEHWEB

DE RUEHTU #0747/01 2800640
ZNR UUUUU ZZH
P 070640Z OCT 09
FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC PRIORITY 6860
INFO RUCNMGH/MAGHREB COLLECTIVE
RUEHRC/DEPT OF AGRICULTURE WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS TUNIS 000747

SENSITIVE
SIPDIS

STATE FOR EEB/IFD/OMA, EEB/EPPD, AND NEA/MAG
STATE PASS USTR (BURKHEAD) AND USAID (MCCLOUD)
USDOC FOR ITA/MAC/ONE (MASON), ADVOCACY CTR (TABINE)
CASABLANCA FOR FCS (KITSON)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A
TAGS: [ECON](#) [PREL](#) [EFIN](#) [EINV](#) [ETRD](#) [TS](#)
SUBJECT: EIZENSTAT WORKING TO REVIVE INITIATIVE FOR MAGHREB
INTEGRATION

REF: TUNIS 562

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Summary

¶1. (SBU) During an October 1 presentation to a group of elite Tunisian business leaders, former Deputy Secretary of the Treasury Stuart Eizenstat discussed Maghreb integration. Eizenstat chalked up the failure of his Clinton-era initiative to shifting priorities with the change of administrations but said the fight against terrorism provided new space in which to revive it. He suggested new trade mechanisms to link the region with the U.S. market and said the United States and Europe could play vital roles as catalysts. In a parallel event on the same day, the Centre de Jeunes Dirigeants (CJD), a young businessmen's association, hosted a symposium on Maghreb integration which brought together speakers from Tunisia, Morocco, Mauritania, Libya, and Algeria. In both events, all participants agreed economic cooperation will pull the train of Maghreb integration, and politics will follow later. End summary.

Ambassador Eizenstat in Tunisia

¶2. (SBU) At the invitation of UTICA, Tunisia's Employers' Union, former Deputy Secretary of the Treasury Stuart Eizenstat spoke at a round table dinner on October 1 about Maghreb integration. In attendance were a small group of businesspeople and a representative from the Ministry of Foreign Affairs Americas desk. During his talk, Eizenstat said the Maghreb was the least integrated region in the world and that growth rates were suffering as a result. He outlined broad economic strategies for Maghreb countries, such as investment in education and courting foreign direct investment. He said the United States, and to some measure Europe, could be catalysts toward this process - a process that has not succeeded from within the Maghreb for over thirty years.

U.S.-Linked Trade Mechanisms to Foster Integration

¶3. (SBU) Ambassador Eizenstat introduced the idea of Maghreb Economic Integration Zones (EIZ), building on the model of

Qualified Industrial Zones (QIZ) in Jordan and Egypt, as a way for Tunisia to send products to the U.S. duty-free. According to Eizenstat, regional cumulation of origin would allow Tunisia to provide inputs to Morocco and the final product be shipped under the U.S.-Morocco Free Trade Agreement (FTA). In addition, the U.S. could enact policy to allow shipment under the FTA if any portion of the product was from Morocco, regardless of the shipment origin. Eizenstat said these strategies could be adopted by the USG as means to integrate the region, much as the QIZ did with Egypt, Israel, and Jordan. Some businesspeople perked up at the idea, and saw it as a more comprehensive opportunity than the privileges currently granted by the Generalized System of Preferences.

Barriers and Setbacks

¶4. (SBU) Tariff barriers between Maghreb countries are relatively low, and Eizenstat blamed non-tariff barriers for lack of progress. Mondher Ben Ayed, former head of the Tunisian-American Chamber of Commerce and a leader in the Tunisian information technology (IT) sector, said Tunisians were frustrated with the pace of integration. He said "we want integration, but we can't wait," referencing rising unemployment and Tunisia's challenge to create jobs. He pointed fingers at Algeria, noting its recent legislation requiring 51 percent Algerian ownership of a foreign enterprise hindered investment. He said Tunisia had done its part, building the right highways to link to Algeria and Libya for example, but those countries had not built theirs. The participants, including Eizenstat, discussed political

barriers, but came to a consensus that the private sector bore the responsibility of integration and were the only equipped actors to achieve results.

¶5. (SBU) When asked why his initiative failed in its first iteration during the Clinton administration, Eizenstat said the change of administration meant the initiative got folded into efforts to extend a free trade zone through the larger Middle East. When that policy failed, the Maghreb fell through the cracks. One participant said the initiative was doomed to fail because of its limited (5 million dollar) budget. Eizenstat said this time terrorism had changed the playing field, and said he is lobbying for a congressional hearing on the Maghreb, and has reached out to the World Bank and the International Monetary Fund to focus on the issue.

Voices from the Rest of the Maghreb

¶6. (SBU) Coincidentally, on the same day as the Eizenstat visit the Centre for Jeunes Dirigeants, a young business leaders organization with a large network throughout Tunisia, organized a symposium on Maghreb integration. In attendance were high-level voices from all Maghreb countries, including a former Algerian Prime Minister. All speakers converged on a few themes: the fact that economic integration had to take place before political integration; the crucial role of youth and cultural exchanges; the importance of infrastructure development (roads, railroads and electricity); and an appreciation for couscous.

¶7. (SBU) From the Tunisian side, the CJD seminar featured the Vice-President of UTICA, Mohamed Sahraoui and from the Ministry of Foreign Affairs Abdelhafidh Harguen, Secretary of State for Maghreb Affairs. Both enthusiastically praised President Ben Ali for his commitment to Maghreb Integration. Sahraoui praised the Maghreb Entrepreneurs Association, a private sector association created two years ago and now headed by Libya, and announced the next meeting would take place in Tunis in May 2010 (Note: the last meeting took place in Algeria May 2009, but according to one Tunisian participant, language barriers and a lack of agenda made the event unsuccessful. End note.) Harguen, interestingly,

called for civil society and youth to play a role in integration. He specifically cited the need to create a knowledge economy, as the IT sector in particular was a driver for growth.

¶8. (SBU) From the Moroccan participant, Jaouad El Hamni, Special Consultant to the Moroccan Finance Ministry, the discourse was much the same. He said economic integration via the private sector is a real possibility, but that the private sector was responsible to act. He mentioned the Morocco-U.S. FTA and blamed the stagnation of the agreement on the inability of the Moroccan private sector to take advantage of opportunities. Ahmed Youra Haye, a Mauritanian economics professor, focused on rule of law and competition, feeling confident economics could trump politics.

¶9. (SBU) Brahim Hafedh, the Libyan head of the Maghrebian Employers Union said cooperation already existed between Libya and Tunisia, but that more youth integration needed to take place. He described an ideal future for the Maghreb, where the countries could negotiate as one bloc vis-a-vis the EU or the United States. At one point in the discussion, an audience member asked why Libya imposed a 500 dollar tax on vehicles entering over land from Tunisia. Hafedh said he disagreed with this, and was working within his organization to reach decision-makers in the Libyan government who could repeal the tax. Sid Ahmed Al Ghazali, former Prime Minister of Algeria, said only the private sector can create wealth, and agreed that politics should only be brought into the picture when all other aspects of integration are in line.

Comment

¶10. (SBU) The two events covering Maghreb integration encompassed different groups of private sector representatives but all converged on one idea: economic integration is possible in the Maghreb despite political

obstacles. The rhetoric of the discussion was familiar and there was no debate on the merits of economic integration itself. At the CJD event in particular (which was on the record), there was little discussion of the impediments to change or tangible, unifying projects taking place. Eizenstat for his part did offer some new mechanisms (the EIZ and QIZ options) and suggested integration could come forth from more formalized private sector associations. In many ways, talking to Tunisians about Maghreb integration is like preaching to the choir - most private sector representatives feel Tunisia has done its part, and now it is time for the other Maghreb countries to resolve their differences and get on board. End comment.
GRAY